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Federal Communications Commission
Office of Secretary

BY HAND DELIVERY

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, N.W., Room 222
Washington, D.C. 20554

**Re: GN Docket No. 96-245
In the Matter of
The Merger of MCI Communications
Corporation and
British Telecommunications plc**

Dear Mr. Caton:

MCI Communications Corporation and British Telecommunications plc (jointly, the "Applicants") hereby notify the Commission of the following errata in connection with their Opposition & Reply filed February 24, 1997 in the above-captioned proceeding. In line 14 on page 27, "US" should read "UK." In line 8 of note 63, "US" should read "UK." In line 9 on page 29, "US" should read "UK." Applicants hereby submit new pages 27, 28 and 29, and request that the Commission replace these referenced pages in the Opposition & Reply. Applicants also enclose the above changes on a 3.5 inch diskette in WordPerfect 5.1 for Windows in a "read only" mode.

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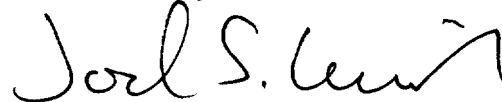
Mr. William F. Caton

February 27, 1997

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If you have any questions regarding this matter, please contact the undersigned.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Joel S. Winnik". The signature is fluid and cursive, with a long horizontal stroke at the end.

Joel S. Winnik

Enclosures

cc: Service List

participate in bidding for government telecommunications contracts. The Applicants expect to receive all approvals prior to Commission action on the Application, and will keep the Commission apprised of the status of these national security coordination matters.

b. There Is No Basis For Conditioning the Merger on TSLRIC-Based US/UK Accounting Rates

AT&T also asserts that the Commission should compel BT to charge US correspondents TSLRIC-based settlement rates for terminating calls in the UK. AT&T argues that US carriers not affiliated with BT will suffer from “competitive distortion” if the merger is approved and if sometime thereafter the US-UK proportionate return policy is relaxed by the Commission pursuant to its Flexibility Order. The fundamental premise of AT&T’s claim is that BT would be allowed to divert a disproportionate amount of its traffic to MCI, while AT&T would have “no viable alternative” but to terminate the bulk of its UK-bound traffic pursuant to above-cost accounting rates. AT&T concludes that the immediate achievement of TSLRIC-based rate levels is necessary to prevent distortion on the US-UK route.

AT&T’s arguments ignore the existence of effective competitive opportunities in the UK, which constrain the ability of foreign carriers to distort competition in the US international services market, and have already yielded accounting rates that are among the lowest in the world. 62/ In any event, the

62/ The Commission has proposed consideration of an “accounting rate benchmark test” as a supplement to, or replacement for, the ECO test. See generally, International Settlement Rates, Notice of Proposed Rulemaking, IB

[Footnote continued]

Applicants do not dispute that low settlement rates will reduce the potential for competitive distortion by some new entrants into the US market, where competitive delivery alternatives are not available. The Commission has proposed several methods of calculating benchmark rates that may be used in the future to address competitive distortion. In the case of BT, the settlement rate currently charged to US carriers compares favorably with every Commission proposal -- it approaches cost and is below both the applicable average benchmark for the first tier of countries and the UK country-specific benchmark rates. Moreover, BT's US-UK accounting rate is subject to ongoing negotiations with US carriers that may result in further reductions. Thus, under the "overall public interest analysis" that supplements the ECO test, BT's accounting rate practices weigh strongly in favor of approving the merger. 63/

[Footnote continued]

Docket No. 96-261 at ¶ 78 (released Dec. 19, 1996). The Commission is only in the initial stages of considering such a test, however, and has not proposed that foreign carrier entry be conditioned on meeting a TSLRIC test.

63/ In its Foreign Market Entry Order, the Commission said that, "[w]e would consider an accounting rate level favorable if it is among the lower accounting rates which US carriers have with foreign carriers" even if it is not "determine[d] precisely . . . [to be] 'cost-based.'" 11 FCC Rcd at 3901 n.72. BT's accounting rates are unquestionably "among the lower" rates US carriers have with foreign carriers and are well within the Commission's benchmarks. See BT North America Inc., 10 FCC Rcd 3204, 3205 (1995) (citing Regulation of International Accounting Rates, 7 FCC Rcd 8040 (1992)). Additionally, the UK practice of disclosing "the accounting rates the carrier maintains with carriers in other countries" is a further "favorable factor" under the Foreign Carrier Entry Order's public interest analysis. The UK is the only country other than the US that publishes international accounting rates. See International Accounting Rates, Director General of the Office of

[Footnote continued]

It is also important to consider that in the UK competition has progressed well beyond the minimum requirements to pass the Commission's ECO test. US carriers have the ability to send UK-destined traffic to AT&T UK, Mercury and other US-owned international facilities licensees, who already have ownership rights or can readily obtain IRUs in the UK-end of undersea cables. 64/ These licensees, in turn, can terminate traffic to BT customers at interconnection rates which are cost-based and nondiscriminatory, and which from August 1, 1997 will be based on LRIC. Moreover, AT&T ignores its own ability to self-deliver its UK-bound traffic, at the same costs in the UK as those incurred by BT (or less, in light of the newer, more efficient technologies that may be employed). 65/ Indeed, given AT&T's commanding lead in US outbound volumes, AT&T can use its large

[Footnote continued]

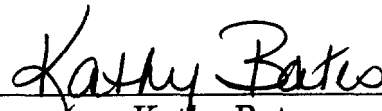
Telecommunications (Dec. 1996) (showing BT's and Mercury's rates with all countries).

64/ See notes 20-24 supra and accompanying text; Network Charges from 1997.

65/ As the FCC recognized in Reevaluation of the Depreciated Original Cost Standard in Setting Prices for Conveyances of Capital Interests in Overseas Communications Facilities Between and Among U.S. Carriers, 7 FCC Rcd 4561, 4563 (1992) aff'd. on recon., 8 FCC Rcd 4173 (1993), "[m]any cables have multiple U.S. owners and carriers may acquire IRUs from competing sources within the same cable." Indeed, AT&T fails to acknowledge that, as the largest member of the TAT 12/13 consortium, it already owns more unutilized whole US-UK cable circuits than any other consortium member. BT believes that AT&T already owns sufficient whole circuit capacity in TAT 12/13 to be able to terminate all of its own traffic in the UK, if it chose to do so. See note 12 supra and accompany text.

CERTIFICATE OF SERVICE

I, Kathy Bates, a legal secretary with the law firm of Hogan & Hartson L.L.P., hereby certify that on this 27th day of February, 1997, a copy of the foregoing Errata was delivered to the parties listed below.



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